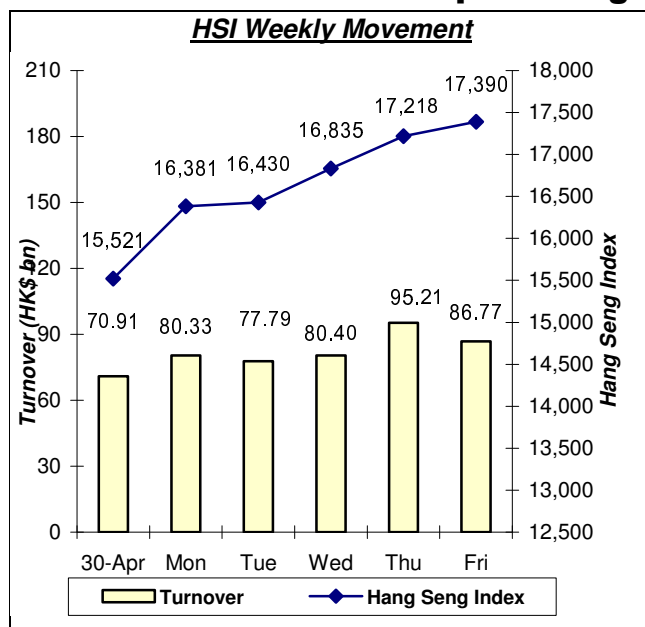


## Another week of surprise surge with HSI finished at 7-month high



<b>Weekly Market Statistics</b>				
Week ended	08/5/2009	30/4/2009	Change	%
Hang Seng Index	17,390	15,521	+1,869	+12.0%
HS Red Chip Index	3,650	3,264	+387	+11.8%
HS China Enterprises Index	10,052	9,085	+967	+10.6%
HS Composite Index	2,393	2,143	+250	+11.7%
HS HK Composite Index	1,686	1,517	+169	+11.1%
HS Mainland Composite Index	3,238	2,892	+346	+12.0%
Growth Enterprise Index	457	422	+35	+8.2%
Avg Daily Turnover (HK\$ bn)	84.1	57.7	+26	+45.7%
Sectoral Indices				
Finance	25,984	22,617	+3,366	+14.9%
Utilities	35,284	36,191	-906	-2.5%
Properties	21,673	20,618	+1,055	+5.1%
Comm & Ind	9,506	8,486	+1,021	+12.0%

## Review & Outlook of Market Performance

Hong Kong shares set off another week with surprised rally mainly driven by overseas money flowing back to Asia upon better-than-expected April PMI data in China, lower-than-expected impact from the influenza A (H1N1) on Hong Kong, stronger home sales in the PRC as well as the first successful land auction in Hong Kong since May last year. Sentiment was also boosted by the news that HSBC was upgraded by a broker and Standard Chartered Bank posted a standout first-quarter performance. Stronger U.S. economic news and optimism about stress-test results of the U.S. banks also helped boost the market. Over the week, the Hang Seng Index rose 1,868.88 points or 12.0% to 17,389.87, while the HSCEI rose 10.6% to 10,051.90. Mainboard turnover jumped with daily average up by 45.7% w-o-w to HK\$84.1 billion.

Standard Chartered Bank weathered the financial crisis to report first-quarter profits on a better performance in Asian market and a resilient loan book. HSBC shares rallied after JP Morgan Chase upgraded its rating on the bank. On the other hand, concerns over a likely sell-down by Bank of America in CCB shares dragged CCB shares earlier in the week. However, shares in CCB rebounded later on rumours that China Investment Corporation or Temasek would take up majority of the CCB stake sales by the Bank of America. To close the week, Standard Chartered Bank, HSBC and CCB gained 25.8%, 20.4% and 16.2% respectively. The comment of the chief executive of the HKMA indicated that Hong Kong banking system is healthy and banks in Hong Kong have sufficient capital reserves, smaller banking counters like Dah Sing Financial, Chong Hing Bank and CMB rallied by more than 20% w-o-w. Meanwhile, Hang Seng Bank closed the week above HK\$100 at HK\$103.7, up 19.75% w-o-w. Property counters also gained on news of stronger home sales in the PRC and the successful land auction in Sheung Shui. Nevertheless, only New World Development managed to stay outperformed the HSI (by 3.6%) over the week.

Since the HSI has got a seven-straight day rally (+19.5% or more than 2,800 points) without many fundamental supports, it is not surprise to see profit taking activities in the coming week following the economic data announcements in HK (Q1 09 GDP) and the US (retail sales, CPI and PPI figures), as well as capital calls in the US.

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**US & Regional Markets Weekly Update**

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
8th May	8,409.85*	1,716.24*	9,432.83	2,228.50	1022.65	527.72	6,583.87
1st May	8,212.41	1,719.20	8,977.37	1,920.28^	990.74^	491.69^	5,992.57^
Change	+197.44	-2.96	+455.46	+308.22	+31.91	+36.03	+591.30
%	+2.4%	-0.2%	+5.1%	+16.1%	+3.2%	+7.3%	+9.9%

Remarks: (\*) closing as of 7<sup>th</sup> May 2009 and (^) closing as of 30<sup>th</sup> April 2009.

**Major Changes in Index Constituent Stocks (Week ended 8<sup>th</sup> May 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @08/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Bank of East Asia	00023	HK\$24.85	+HK\$6.25	+33.60%	The best performed shares within the HSI as news reported that Taiwan's fourth-biggest financial services company, Chinatrust Financial Holding, held talks with the company on cooperation in wealth management and credit cards. Meanwhile, Criteria Caixacorp was reported to plan to raise its stake in Bank of East Asia from 9.9% to over 10%.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @08/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China COSCO	01919	HK\$8.35	+HK\$1.96	+30.67%	The counter was the top gainer in the HSCEI after a slight gain in mainland bulk cargo shipments and a smaller decline in container throughput in April 2009. Meanwhile, the counter was lifted by the Baltic Dry Index which rose more than 20% over the week, the highest since early March.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @08/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Travel HK	00308	HK\$1.82	+HK\$0.45	+32.85%	The counter rebounded after tumbling by 13% in the previous week as the impact of the influenza A (H1N1) turned out to be less serious than expected in Hong Kong.



## Summary of US Economic News

Indicator	Change/Index	Comments
Construction spending – March 2009	0.3%	Construction spending posted a 0.3% gain in March, following a 0.9% decrease in February. The unexpected rebound was led by private non-residential spending which jumped 2.7% after a 0.7% increase in February. However, the private residential component continued its downward trend, falling 4.2% after a 5.9% plunge in February.
Pending home sales index – March 2009	3.2%	Rising more than market consensus, the pending sales index rose 3.2% to 84.6 in March on US government's effort to lower mortgage rates in combination with financing incentives and falling home prices.
ISM non-mfg index – April 2009	43.7	The ISM non-manufacturing index rose more than expectation to 43.7 in April from 40.8 in March, indicating strongly that rates of economic contraction have been slowing down.
Initial jobless claims – week ended 2 <sup>nd</sup> May 2009	-34,000	Initial jobless claims for the week ended 2 <sup>nd</sup> May 2009 fell by 34,000 to 601,000, the lowest readily since late January, from a revised level of 635,000 a week before. The drop pulled down the four-week average by 14,750 to 623,500, the lowest level since mid-February. Whilst new claims fell by a sizable amounts, continuing jobless claims rose for a 14 <sup>th</sup> straight week, up 56,000 to a new record 6.351 million, suggesting that those out of work are staying out of work for longer times.
Productivity and costs – Q1 2009	0.8%	First quarter productivity edged up more than expected by 0.8% q-o-q, following a 0.6% q-o-q decline in the fourth quarter. The improvement was due to a larger drop in hours worked and a smaller negative decline in output. Meanwhile, unit labor costs eased to 3.3% after rising 5.7% in 4Q 08.

## Forthcoming Important Announcements / Events

11 <sup>th</sup> May 2009 (Monday)	HK	:	No important news/ announcements
	US	:	Federal Reserve Chairman Ben Bernanke Speech
12 <sup>th</sup> May 2009 (Tuesday)	HK	:	No important news/ announcements
	US	:	International trade – March 2009
13 <sup>th</sup> May 2009 (Wednesday)	HK	:	HKEx (00388) – Q1 2009 results Tencent (00700) – Q1 2009 results Sino Biopharmaceutical (01177) – Q1 2009 results
	US	:	Retails sales – April 2009 Dr Pepper Snapple Group – Q1 2009 results Macy's – Q1 2009 results
14 <sup>th</sup> May 2009 (Thursday)	HK	:	SW Kingsway Capital (00188) – Q3 2009 results
	US	:	Producer price index – April 2009 Initial jobless claims – week ended 9 <sup>th</sup> May 2009
15 <sup>th</sup> May 2009 (Friday)	HK	:	GDP – 1Q 2009 Oriental Press Group (00018) – Q1 2009
	US	:	CPI – April 2009 Industrial production – April 2009 Consumer sentiment – May 2009



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